

Maine's Dirigo Health Reform Experiment Five Years On

An Executive Summary of Status and Achievements

"It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments"

- Justice Louis Brandeis

In 2003, Federal health care reform was well settled in a stalemate of inaction. Meanwhile, costs were spiraling out of control. Working people were losing their insurance. Businesses found themselves burdened in international competition.

Maine had a choice: either to sit still and wait for national reform, meanwhile allowing more of its citizens to suffer from high costs and lost health care, or to build on work already underway here, and take the next big step to achieve affordable, quality health care for all. Maine's action could never be a full substitute- national health care reform, needed then, is still needed now. No one state can solve this problem alone. But Maine could help its citizens out, and serve as a "laboratory of democracy."

Thanks to a bold Governor and Legislature, Maine's health care reform became law in September 2003. Named "Dirigo," after the state motto meaning "I Lead," the program was a first-of-a-kind effort in the nation. The country took notice. The New York Times editorialized, "it is encouraging that Maine, which led most states in efforts to control prescription drug costs, has now taken a new tack toward solving the nation's health care problems."

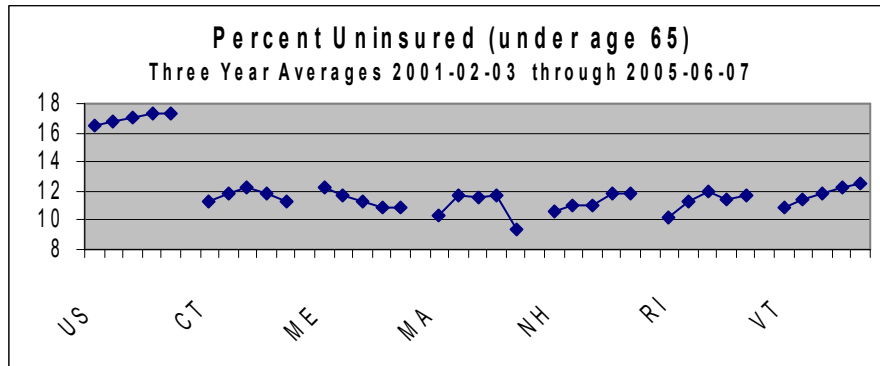
The reform proposed a comprehensive set of actions to: (1) reduce health care costs; (2) expand health insurance coverage; (3) improve public health; and (4) improve the delivery and quality of services.

As with any effort to blaze a trail through the wilderness, rough spots were encountered from the beginning. The original goal was to cover everyone within five years but compromise in the initial bill, that won it strong bipartisan support, eliminated some major funding sources. The federal Medicaid program proved a difficult partner, and implementation challenges further reduced available funding to the program. Thus, with fewer resources, initial aspirations for the program proved too optimistic. And curtailing health inflation proved more intractable than anticipated.

Still, much has been accomplished for Maine citizens. Maine has increased its rate of insured residents, taken a bite out of spiraling health care costs, and created the institutional foundations for a more cost effective and efficient health care system.

(1) While the number and percent of uninsured residents has risen elsewhere in the nation, here in Maine the proportion of uninsured has fallen. Prior to Dirigo, Maine had the highest rate of uninsured residents of the six states in New England. By 2006, Maine had the lowest rate among the six states. That year Massachusetts implemented its own reform and funding limits forced Dirigo to suspend enrollment. Now Massachusetts has replaced Maine as the New England state with the lowest rate of uninsured. Even so, Maine's rate of uninsured residents continues to fall.

This is particularly impressive since Maine has the lowest median household income in New England. Part of this reduction, of course, has been through the provision of subsidized health insurance coverage to moderate income workers through the innovative DirigoChoice program and its funding for parents of eligible children in MaineCare, which together have served nearly 29,000 Mainers in over 700 businesses since 2005.



(2) Maine has saved the health care system over \$110 million since its inception. This has been accomplished through collaboration with Maine's hospitals who complied with voluntary cost growth targets; as well as tough action, such as more stringent review of hospital building projects under the state's Certificate of Need program, resulting in average costs 17% lower than before Dirigo, and by covering more Mainers to prevent uncompensated care. In addition, one insurance company returned \$6.6 million in health insurance money to Maine small businesses, because of Dirigo's insurance rate regulation.

And as Maine has taken these actions, our growth in premiums has slowed. Maine employers had the highest average annual growth in premiums in New England before Dirigo and the lowest in New England since Dirigo (an average increase of 13.2% from 2001 to 2003 versus an average of 10.1% for the other New England states, and 6.4% from 2004 to 2006 versus 8.1% for the other New England states).

This important work needs to continue: health costs are still too high in Maine, and are still higher here than in the rest of the country – but we have had success in slowing the inflation machine down, and more work will bring further success.

(3) With the active cooperation of businesses, health care providers, private insurers, and citizens, Maine has created the foundations for a more effective health care system. Some of these achievements include:

- Creating websites for insurers, businesses, and citizens that compare costs and quality for health care services around the state;
- Reorganizing the regional public health system in Maine to improve health and better prevent costly chronic illness;
- Promoting best practices in Maine health institutions under the leadership of Dirigo's Maine Quality Forum;
- Moving billing and medical records into compatible electronic formats;
- Establishing a state health planning process and annual review and recommendations to the Legislature to keep costs in check; and
- Enacting market reforms to provide premium relief in the individual market.

Maine has seen considerable progress in health reform but those successes have been overshadowed by continuing disagreement over program financing. Massachusetts and Vermont have taken the next, bold steps that include mandates for employers and individuals. But those states, like Maine, also struggle with financing. Health reform is again front and center in the national debate and hope rides high that, what Maine and now other states have launched, can help promote a national solution that achieves affordable, quality health care for all.